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SUBJECT: U.S. CORPORATIONS BEGIN EAST INDIA'S RURAL CONNECTIVITY INITIATIVE

¶1. (SBU) SUMMARY: To bridge the digital divide between the India's high-tech urban centers and its vast rural hinterland, Microsoft Corporation (Microsoft) is working with the GOI and state governments to establish Internet Technology (IT) connectivity in 100,000 villages around the country. Pilot and developed programs from this project are already being initiated in parts of East and North East India. Microsoft is also working with other U.S. corporations such as Intel, Dupont, United Telecom and Hughes Telecom to supply hardware and software. As part of its eGovernance plan, the GOI hopes that a wired rural India will lead to better citizen services and more employment opportunities. Microsoft considers this effort a good business model for bringing about rural connectivity as well as providing critical public services in underdeveloped parts of India. Microsoft India Vice President Tarun Malik and Project Manager Vineet Garg emphasized that this program is intended to be self-sustaining and commercially viable. The company stressed that this is not part of a Corporate Social Responsibility (CSR) program as CSR initiatives can cripple the self-sufficiency of the recipients if not managed properly. This effort to bring IT connectivity in East and Northeast India appears to be well coordinated and looks to offer great potential for improving local government services and for enhancing rural IT connectivity. End Summary.

¶2. (U) These kiosks will be run by local youths through a public-private-partnership (PPP) model. The public sector will provide the basic infrastructure and some aid for a limited period, which will then be made sustainable through the private initiatives of the local youths. The state governments and GOI believe that the PPP arrangement will make these kiosks viable and promote village level entrepreneurship and employment. These kiosks will be in place by the end of 2007. Microsoft is funding 50,000 kiosks under an initiative called Saksham (meaning 'able') and is working with other U.S. companies, like Intel, Dupont, United Telecom and Hughes Telecom to provide all the information technology software and hardware components as well as develop network links for such kiosks. The CSC project is a part of India's National eGovernance Plan, which featured in UPA's Common Minimum Program to bring information and government services at the doorstep of rural citizens.

13. (U) The CSC scheme will have 3-tiers. At the bottom of the pyramid will be the local Village Entrepreneurs or VLEs - loosely similar to a franchisee. At the second level will be the Service Center Agencies (SCA) that acts more like a franchiser. At the top level would be State Level Agency (SLA) to be selected by the state government to implement and monitor the scheme within the state.

14. (SBU) Microsoft is collaborating with DIT as the lead agency in the project. In their interaction with ConGen, Microsoft officials were unwilling to disclose the full value of investment but indicated that it was part of the USD 400 million digital inclusion program announced by Microsoft Chairman and Chief Software Architect Bill Gates during his several visits in India. A number of U.S. companies like Intel, AMD, Dupont, United Telecom and Hughes Telecom are also stakeholders and investors in the project.

Already Implementing in East and Northeast India

15. (SBU) A pilot project to set up five kiosks is now being implemented in two West Bengal districts. In Hooghly district, work has begun to integrate land records with GIS mapping and using biometric features (thumb impression). Microsoft is expected to announce shortly its plan to develop an additional 5,000-6,000 kiosks in West Bengal.

16. (SBU) The CSC has already been implemented in Assam and also in some parts of North East. Microsoft has built 350 kiosks in the North East, where they are called Community Information Centres (CIC). While power and connectivity remain problems, some of the kiosks are reportedly functioning well. Microsoft

CALCUTTA 00000211 002 OF 002

will also build 8,000 kiosks in Orissa. In Bihar, the project is still at the proposal stage, although Microsoft has funded 1,000 Education Centers as part of computer literacy Project Shiksha (meaning "learning"). ConGen contacts in Microsoft pointed out that the CSC project was financially viable and sustainable as the stakeholding corporations are driven not by corporate social responsibility but by the project's commercial prospects.

17. (U) COMMENT: If the rural CSC program is fully implemented as envisioned, it will bridge the information gap between digitally disenfranchised rural communities and the more tech accessible urban areas. The program will also bridge the gap between rural consumers, the government and corporate service providers. The franchise-like framework envisioned should provide a commercially viable and sustainable approach by creating financial incentives to the operators. In addition, it will create potential employment for high unemployment areas that would benefit the most from such initiatives. East and Northeast India have been slow to see the fruits of India's IT development and given the weak infrastructure and high poverty levels, the states in this region have often been ignored by private and public organizations. The efforts of Microsoft and its partners to implement the CSC program reflects the realization that more needs to be done to address social and economic development in this region.

JARDINE